

C. DUKES SCOTT
EXECUTIVE DIRECTOR

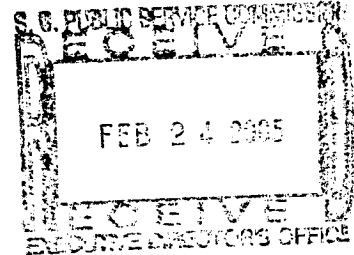
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DAN F. ARNETT
CHIEF OF STAFF

97-239-C



February 24, 2005

VIA HAND DELIVERY

Mr. Charles L.A. Terreni
Chief Clerk/Administrator
South Carolina Public Service Commission
101 Executive Center Dr., Suite 100
Columbia, SC 29210

Re: Universal Service Fund Audit

Dear Charles:

The Office of Regulatory Staff (ORS) respectfully requests that the Public Service Commission grant ORS approval, without a Commission hearing, to issue a request for proposal (RFP) for purposes of selecting an independent third party to conduct an audit of the South Carolina Universal Service Fund (USF). In accordance with this request, ORS requests that the Commission approve administrative costs up to, but not to exceed, two-hundred thousand dollars (\$200,000) to subsidize the audit. ORS has an RFP prepared and is ready to issue the RFP at the Commission's approval.

By its Order No. 2005-7 issued on January 11, 2005, the Commission designated the ORS as Administrator of the USF with the full authority to perform all "ministerial functions connected with administering the USF as may be appropriate, within the existing guidelines, until such time as this Commission issues a full Order on the issue in the near future."

The existing guidelines specifically state that the Administrator is to prepare and file with the Commission results of an annual audit of the USF performed by an independent third party. It is pursuant to this requirement that ORS seeks Commission approval for issuing an RFP in order to select an appropriate auditor as well as approval for utilizing the administrative expense component of the USF. The guidelines state the administrative expense component of the USF is for the Administrator to recover

Commission-approved costs for administering the USF, including the audit expenses of an independent third party. ORS requests that \$200,000 be approved as administrative expenses for purposes of the third-party audit.

Lastly, the ORS requests that this matter be placed on the Commission's agenda as soon as possible for consideration.

If I may be of further assistance in this matter, please do not hesitate to call me.

Sincerely,

A handwritten signature in cursive script, appearing to read "Dan F. Arnett", with a long horizontal flourish extending to the right.

Dan F. Arnett
Chief of Staff

DFA/cc